THE NRA FOUNDATION, INC.

FINANCIAL STATEMENTS

as of December 31, 2016 and 2015

AND

REPORT THEREON

THE NRA FOUNDATION, INC.

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RSM

RSM US LLP

Report of Independent Auditors

To the Board of Trustees
The NRA Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The NRA Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The NRA Foundation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

McLean, Virginia
March 8, 2017

THE NRA FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
as of December 31, 2016 and 2015

ASSETS

	2016	2015
Cash and cash equivalents	$ 16,881,055	$ 13,283,813
Investments	70,821,604	64,771,199
Pledges and contributions receivable, net	3,916,686	5,132,133
Accounts receivable, net of allowance of $25,250 and $15,750, respectively	744,819	621,821
Inventory, net	12,078,822	11,928,188
Property and equipment, net	1,146,007	1,044,003
Other assets, principally museum collections, net	25,791,362	25,406,011
Split interest agreements	1,273,037	975,694
Total assets	$ 132,653,392	$ 123,162,862

LIABILITIES AND NET ASSETS

	2016	2015
Accounts payable and accrued liabilities	$ 2,040,976	$ 1,566,686
Due to affiliates	3,922,616	3,430,336
Grants payable	10,200	68,965
Annuities payable	2,372,023	2,317,960
Total liabilities	8,345,815	7,383,947
Net assets:		
Unrestricted	19,719,061	14,891,941
Temporarily restricted	39,137,050	37,015,701
Permanently restricted	65,451,466	63,871,273
Total net assets	124,307,577	115,778,915
Total liabilities and net assets	$ 132,653,392	$ 123,162,862

The accompanying notes are an integral part of these financial statements.

THE NRA FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
for the years ended December 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:								
Friends of NRA proceeds of $68,904,006 and $65,530,160 net of direct benefit expenses of $39,038,844 and $35,360,948 in 2016 and 2015, respectively	$ 14,815,306	$ 15,017,195	$ 32,661	$ 29,865,162	$ 14,868,476	$ 15,272,138	$ 28,598	$ 30,169,212
Contributions, net	13,035,963	3,158,743	1,288,280	17,482,986	11,718,035	2,448,178	3,325,871	17,492,084
Net investment income (loss)	482,183	3,995,683	114,149	4,592,015	(145,963)	(1,156,488)	(36,863)	(1,339,314)
Change in value of split interest agreements	-	463,675	145,103	608,778	-	17,606	3,531	21,137
Other income	605,346	-	-	605,346	677,977	-	-	677,977
Assets released from restrictions	20,513,947	(20,513,947)	-	-	16,686,192	(16,686,192)	-	-
Total revenue and other support	49,452,745	2,121,349	1,580,193	53,154,287	43,804,717	(104,758)	3,321,137	47,021,096
Expenses:								
Program	37,885,096	-	-	37,885,096	40,859,616	-	-	40,859,616
Administrative	1,364,323	-	-	1,364,323	1,391,013	-	-	1,391,013
Fundraising	5,376,206	-	-	5,376,206	3,710,664	-	-	3,710,664
Total expenses	44,625,625	-	-	44,625,625	45,961,293	-	-	45,961,293
Change in net assets	4,827,120	2,121,349	1,580,193	8,528,662	(2,156,576)	(104,758)	3,321,137	1,059,803
Net assets, beginning of year	14,891,941	37,015,701	63,871,273	115,778,915	17,048,517	37,120,459	60,550,136	114,719,112
Net assets, end of year	$ 19,719,061	$ 39,137,050	$ 65,451,466	$ 124,307,577	$ 14,891,941	$ 37,015,701	$ 63,871,273	$ 115,778,915

The accompanying notes are an integral part of these financial statements.

THE NRA FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 8,528,662	$ 1,059,803
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization and depreciation	184,908	129,626
Provision for losses on pledges, contributions and accounts receivable	110,500	86,500
Provision for gains on inventory	(18,000)	(295,000)
Provision for losses on other assets	85,000	5,100
Donated assets, museum collections	(161,650)	(279,000)
Donated assets, securities unrestricted and temporarily restricted	(57,057)	(73,834)
Contributions restricted for investment in endowment	(1,162,291)	(3,505,168)
Net realized and unrealized (gain) loss on investments	(2,862,154)	2,998,626
Decrease in discount on pledges receivable	(8,824)	(14,152)
Increase in value of split interest agreements	(442,876)	(21,136)
Changes in assets and liabilities:		
Decrease (increase) in pledges and contributions receivable	1,123,271	(557,805)
(Increase) decrease in accounts receivable	(132,498)	266,729
(Increase) decrease in inventory	(132,634)	704,348
Increase in other assets	(324,275)	(908,826)
Increase (decrease) in accounts payable and accrued liabilities	474,290	(418,572)
Increase (decrease) in due to affiliates	492,280	(857,402)
(Decrease) increase in grants payable	(58,765)	4,601
Total adjustments	(2,890,775)	(2,735,365)
Net cash provided by (used in) operating activities	5,637,887	(1,675,562)
Cash flows from investing activities:		
Purchases of investments	(18,560,954)	(22,575,473)
Proceeds from sale of investments	15,429,760	14,875,847
Purchases of property and equipment	(271,338)	(6,276)
Net cash used in investing activities	(3,402,532)	(7,705,902)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	1,162,291	3,505,168
Investments subject to new annuity agreements	257,831	325,879
Proceeds from split interest agreements	145,533	80,918
Payments on annuity obligations	(203,768)	(205,144)
Net cash provided by financing activities	1,361,887	3,706,821
Net increase (decrease) in cash and cash equivalents	3,597,242	(5,674,643)
Cash and cash equivalents, at beginning of year	13,283,813	18,958,456
Cash and cash equivalents, at end of year	$ 16,881,055	$ 13,283,813

The accompanying notes are an integral part of these financial statements.

THE NRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The NRA Foundation, Inc. (the Foundation) is a non-profit organization incorporated in 1990 under the laws of the District of Columbia. The Foundation is organized to be operated exclusively in support of charitable, scientific and educational purposes. The Foundation is supported primarily by Friends of NRA (FONRA) fundraising events and other charitable contributions.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amount of revenue and other support and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets

To identify the observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained in three separate classes of net assets; unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets represent resources that are not restricted, either temporarily or permanently, by donor-imposed stipulations. They are available for support of the Foundation's general operations.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations. These restrictions are temporary in that they either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Permanently restricted net assets represent endowment contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with a maturity of three months or less at the date of purchase to be cash equivalents.

Concentration of Credit Risk

The Foundation maintains a cash balance in excess of federally insured limits in an interest bearing account. The Foundation's policy is to deposit funds only in financially sound institutions. Nevertheless, these deposits are subject to some degree of credit risk. Investments are maintained in financial institutions. Accounts receivable primarily represent funds due to the Foundation for contributions and from FONRA events and committees, and are not collateralized.

The Foundation invests in a professionally managed portfolio that primarily contains money market funds, equity securities, and fixed income securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in value of such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investments

Investments consist primarily of money market funds, equity securities, and fixed income securities which are carried at fair value, as determined by an independent market valuation service using the closing prices at the end of the period. In calculating realized gains and losses, the cost of securities sold is determined by the specific-identification method. To adjust the carrying value of the investments, the change in fair value is included in revenue and other support in the statements of activities.

Pledges and Contributions Receivable

Unconditional pledges and contributions receivable consist of irrevocable and measurable bequest proceeds due to the Foundation and donor promises to give in future periods, usually over a period of one to ten years. Pledges due in more than one year are recorded at the present value of estimated cash flows, and for both the years ended December 31, 2016 and 2015, have been discounted by rates ranging from 1.1% to 2.6%. An allowance for uncollectible pledges and contributions receivable is provided based upon management's judgment of potential defaults.

Accounts Receivable

Accounts receivable consist of start-up funds and current year event proceeds due from FONRA committees. Start-up funds are advanced to each new FONRA committee and are returned to the Foundation only upon dissolution of the committee.

Inventory

Inventory consists primarily of artwork, shooting sports, and hunting supplies to be utilized at FONRA fundraising events. Inventory is stated at the lower of cost or market, with cost determined using the first-in, first-out method. Adjustments are made to reduce the inventory to net realizable value in the case of obsolescence.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs, which do not prolong the useful lives of the assets, are expensed. Depreciation is computed on the straight-line method over the assets' estimated useful lives. Building improvements are depreciated over useful lives of 20 years, other property and equipment is depreciated over two to 10 years. The Foundation capitalizes complete desktop and laptop computers greater than $500 and all other fixed assets greater than $1,500.

Museum Collections

The Foundation has capitalized its museum collections, consisting principally of donated firearms, since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated they are capitalized at their appraised value or fair value on the accession date. Gains or losses on the deaccession of collection items are classified in the statements of activities as unrestricted, temporarily or permanently restricted support depending on donor restriction, if any, placed on the item at the time of accession. Provisions are made to reduce museum collections to net realizable value. Museum collections are not depreciated as the Foundation takes appropriate measures to perpetually preserve their cultural and historic value.

MEMORANDUM

To: Chairman & Trustees of NRA Civil Rights Defense Fund

From: Stefan B. Tahmassebi
NRA Civil Rights Defense Fund
Secretary

Via: Email and United States First Class Mail

Re: NRA Civil Rights Defense Case No. 8 for the April 27, 2017 Meeting

Date: June 29, 2017

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1. Independent Institute, *Gun Control in Nazi-Occupied France: A Story of Registration, Confiscation, Firing Squads, and Resistance*. New Case Listing # 040. See Exhibit 1.

This matter was deferred at the April 27, 2015 meeting of the board of trustees (case # 8).

This matter was previously supported by the NRA Civil Rights Defense Fund as follows: $15,000.00 granted to Stephen Halbrook at the January 10, 2015 meeting of the board of trustees; Stephen Halbrook application deferred at the September 11, 2015 meeting of the board of trustees; $15,000.00 granted to Stephen Halbrook at the January 8, 2016 meeting of the board of trustees; and, Stephen Halbrook application deferred at the January 6, 2017 meeting of the board of trustees. Furthermore, at the April 27, 2017 meeting of the board of trustees an application by the author, attorney Stephen Halbrook, for a separate $15,000.00 grant for the writing of this book, was granted. Of the funds granted, none remain.

The applicant, David Theroux, President of the Independent Institute, informs as follows:

The applicant is looking to promote and distribute Stephen Halbrook's new book, *Gun Control in Nazi-Occupied France: A Story of Registration, Confiscation, Firing Squads, and Resistance*. Halbrook's previous book, *Gun Control in the Third Reich*, was successfully marketed and received excellent reviews for its thought provoking content, which is still relevant

today. The applicant is hoping to utilize that momentum, and increase understanding in current firearm law debates with this additional historical content.

Gun Control in Nazi-Occupied France: A Story of Registration, Confiscation, Firing Squads, and Resistance, tells the story of what happens to ordinary citizens when they are faced with oppression, and have limited means to defend themselves. Unlike the Germans who had complied with firearms registration, many Frenchmen had refused to register their firearms in prewar times, which ended up helping the resistance. Despite the threat of death by firing squad, French citizens refused to disarm, and, in maintaining this form of civil disobedience, also furthered armed resistance efforts. The armed French resistance required the diversion of vital Nazi resources to contain the resistance.

The Independent Institute has developed a marketing plan to promote and distribute this new book by developing a "multi-media outreach and communications campaign designed to reach a broad audience and mainstream media outlets."

Applicant: David Theroux
President, Independent Institute
100 Swan Way
Oakland, California 94621-1428
Telephone: 510-632-1366
Facsimile: 510-568-6040

Amount requested: $50,000.00.

This case continues to be assigned to Curtis Jenkins and Charles L. Cotton for review and report.

Split Interest Agreements

The Foundation is the beneficiary under several split interest agreements in the form of charitable lead trust and charitable remainder unitrust agreements. Under terms of the agreements, the Foundation has the irrevocable right to receive the annual payments during the life of the trust and/or remaining trust assets upon termination of the trust. Split interest agreements are recorded as an asset based on the actuarially computed value as of the end of each year. The difference between the amount received for the agreement and its actuarially computed value is recorded as revenue. Split interest agreements due in more than one year have been recorded at the present value of estimated cash flows. For both the years ended December 31, 2016 and 2015, the discount rate applied ranged from 2.5% to 8.0% and incorporated future life expectancies ranging from 0 to 21 years.

Annuities Payable

Donors have established and funded gift annuity contracts. Under terms of the contracts, the Foundation has the irrevocable right to receive the remaining contract assets upon termination of the contract. Annuity contracts are recorded as a liability based on the actuarially computed value at the time of gift. The difference between the amount received for the contract and its actuarially computed value is recorded as revenue. For both the years ended December 31, 2016 and 2015, the discount rate applied ranged from 1.2% to 3.4%.

Revenue Recognition

Unconditional contributions, whether unrestricted or restricted, are recognized as revenue upon notification of the unconditional gift or pledge and classified in the appropriate net asset category. Proceeds from FONRA fundraising events, net of direct benefit expenses paid by the FONRA event committees, are recorded in the period in which the event occurs. One half of the net proceeds from FONRA events are restricted for use by the FONRA State Fund committee in which the event was held. These proceeds may be temporarily or permanently restricted. Temporarily restricted proceeds become unrestricted when qualifying expenses have been incurred.

Outstanding Legacies

The Foundation is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Foundation's share of such amounts is not recorded until the Foundation has an irrevocable right to the bequest and the proceeds are measurable.

Valuation of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less cost to sell.

Functional Allocation of Expenses

The costs of providing program services and supporting activities have been accounted for on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, administrative, and fundraising expenses.

Grant Program Expense

Grants are recorded as program expense in the year in which the Foundation's Board of Trustees approves the expenditure. The Foundation supports a wide range of firearms and safety-related public interest activities, including youth education, range development and improvements, wildlife and natural resource conservation, school security and firearm training, education and safety programs.

Tax Status

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and from state income taxes. In addition, the Foundation is not classified as a private foundation.

The Foundation follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2013, which is the standard statute of limitations look-back period.

Pending Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in the ASU require entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. This ASU will be effective for the Foundation for fiscal years beginning after December 15, 2016.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied.

Subsequent Events

The Foundation evaluated subsequent events through March 8, 2017, which is the date the financial statements were available to be issued.

2. INVESTMENTS

Investments, at fair value, as of December 31, 2016 and 2015 consisted of the following:

		2016		2015
Money market	$	2,452,755	$	3,956,176
Equity securities		49,269,448		44,912,805
Fixed income securities		19,099,401		15,902,218
Total	$	70,821,604	$	64,771,199

Investment income (loss) for the years ended December 31, 2016 and 2015 included the following:

		2016		2015
Realized (loss) gain, net	$	(102,508)	$	114,288
Unrealized gain (loss), net		2,964,662		(3,112,914)
Dividends and interest		1,729,861		1,659,312
Total	$	4,592,015	$	(1,339,314)

3. PLEDGES AND CONTRIBUTIONS RECEIVABLE

At December 31, 2016 and 2015, donors to the Foundation have unconditionally promised to give amounts as follows:

		2016		2015
Within one year	$	2,830,939	$	3,303,584
One to five years		1,126,150		1,808,201
More than five years		263,000		231,575
		4,220,089		5,343,360
Less: discount on pledges receivable		(4,403)		(13,227)
		4,215,686		5,330,133
Less: allowance for uncollectible pledges		(299,000)		(198,000)
Total	$	3,916,686	$	5,132,133

Estate proceeds bequeathed and due to the Foundation in the amount of $641,442 and $1,412,070 were included in contributions receivable at December 31, 2016 and 2015, respectively.

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2016 and 2015 consist of:

		2016		2015
Buildings and improvements	$	777,206	$	777,206
Furniture, fixtures and equipment		908,900		637,562
		1,686,106		1,414,768
Less: accumulated depreciation		540,099		370,765
	$	1,146,007	$	1,044,003

Depreciation expense for the years ended December 31, 2016 and 2015 was $169,334 and $114,052, respectively.

5. CREDIT AGREEMENT

The Foundation maintains a $2,000,000 collateralized line of credit agreement with a bank, which expires September 30, 2017. The agreement was secured by cash and securities totaling $8,408,066 and $7,906,452 at December 31, 2016 and 2015, respectively. Under the terms of this agreement, for any borrowings, the Foundation would make monthly interest payments on the daily outstanding principal at a variable rate based on the 30-day LIBOR rate, plus 0.70%. At December 31, 2016 and 2015, no amounts were outstanding under the line of credit agreement.

6. FAIR VALUE MEASUREMENTS

The Foundation follows the Codification Topic, *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 include listed equities and listed derivatives.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The estimated fair values of the Foundation's short-term financial instruments, including cash and equivalents, and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	As of December 31, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Available-for-sale equity securities:				
Consumer discretionary	$ 141,495	$ 141,495	$ -	$ -
Consumer staples	29,657	29,657	-	-
Energy	13,979	13,979	-	-
Financials	106,189	106,189	-	-
Health care	96,388	96,388	-	-
Industrials	63,180	63,180	-	-
Information technology	246,449	246,449	-	-
Materials	15,117	15,117	-	-
International equities	124,485	124,485	-	-
Multi-strategy stock funds	46,463,457	46,463,457	-	-
Stock funds - commodities	1,969,052	1,969,052	-	-
Total available-for-sale equity securities	49,269,448	49,269,448	-	-
Available-for-sale fixed income securities:				
Corporate bonds[a]	5,009,390	5,009,390	-	-
U.S. Treasury & agency	3,851,163	3,851,163	-	-
Multi-strategy bond funds	10,057,364	10,057,364	-	-
Mortgage obligations	132,588	132,588	-	-
Municipal bonds	48,896	48,896	-	-
Total available-for-sale fixed income securities	19,099,401	19,099,401	-	-
Money market	2,452,755	2,452,755	-	-
Total investments	70,821,604	70,821,604	-	-
Split interest agreements	1,273,037	-	-	1,273,037
Total assets	$ 72,094,641	$ 70,821,604	$ -	$ 1,273,037

[a] Based on its analysis of the nature and risk of these investments, the Foundation has determined that presenting them as a single class is appropriate.

	As of December 31, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Available-for-sale equity securities:				
Multi-strategy stock funds	$ 43,695,674	$ 43,695,674	$ -	$ -
Stock funds - commodities	1,217,131	1,217,131	-	-
Total available-for-sale equity securities	44,912,805	44,912,805	-	-
Available-for-sale fixed income securities:				
Corporate bonds[a]	5,005,426	5,005,426	-	-
U.S. Treasury & agency	3,787,327	3,787,327	-	-
Multi-strategy bond funds	6,931,377	6,931,377	-	-
Mortgage obligations	129,881	129,881	-	-
Municipal bonds	48,207	48,207	-	-
Total available-for-sale fixed income securities	15,902,218	15,902,218	-	-
Money market	3,956,176	3,956,176	-	-
Total investments	64,771,199	64,771,199	-	-
Split interest agreements	975,694	-	-	975,694
Total assets	$ 65,746,893	$ 64,771,199	$ -	$ 975,694

[a] Based on its analysis of the nature and risk of these investments, the Foundation has determined that presenting them as a single class is appropriate.

Money market funds, equity and fixed income securities are classified as Level 1 instruments, as they are actively traded on public exchanges.

Split interest agreements are classified as Level 3 instruments, as there is no market for the Foundation's interest in the trusts. Further, the Foundation's asset is the right to receive cash flows from the trusts, not the assets of the trusts themselves. Although the trust assets may be investments for which quoted prices in an active market are available, the Foundation does not control those investments.

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), *Fair Value Measurement* requires reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The table below represents the reconciliation of the Foundation's assets measured at fair value on a recurring basis using significant unobservable inputs:

	2016	2015
Split interest agreements, beginning of year	$ 975,694	$ 1,047,224
Contributions	285,267	-
Distributions received	(145,533)	(80,918)
Change in value	157,609	9,388
Split interest agreements, end of year	$ 1,273,037	$ 975,694

7. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Program grants	$ 37,016,860	$ 35,269,778
Other, passage of time	2,120,190	1,745,923
Total	$ 39,137,050	$ 37,015,701

Income from the following permanently restricted net assets is expendable to support program grants in those respective areas:

	2016	2015
National Firearms Museum	$ 30,708,508	$ 30,543,546
Youth education	5,934,547	5,776,542
Hunting & wildlife conservation	6,956,818	6,586,005
Firearms & marksmanship training	2,957,776	2,903,983
Other programs	18,893,817	18,061,197
Total	$ 65,451,466	$ 63,871,273

The Foundation follows the Codification subtopic *Reporting endowment funds*. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006 and enacted in the Commonwealth of Virginia on July 1, 2008 and in the District of Columbia on January 23, 2008. The Foundation includes all permanently restricted funds and temporarily restricted quasi-endowment funds in its endowments. The Management of

the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of cash gifts donated to permanent endowment, (b) the discounted value of future gifts promised to permanent endowment, net of allowance for uncollectible pledges, and (c) the fair value of non-cash gifts received whereby the proceeds of any future sale are donor-restricted to permanent endowment. The remaining portion of donor-restricted endowment funds not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. The investment policy of the Foundation is to achieve, at a minimum, a real (inflation adjusted) total net return that exceeds spending policy requirements. Investments are diversified both by asset class and within asset classes. The purpose of diversification is to minimize unsystematic risk and to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio. The amount appropriated for expenditure ranges from 1% to 5% of the endowment fund's fair value as of the end of the preceding year, as long as the value of the endowment does not drop below the original contribution(s). All earnings of the endowment are reflected as temporarily restricted net assets until appropriated for expenditure in the form of program grants.

The Foundation's endowments are composed primarily of donor restricted funds. The changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (1,912)	$ 8,209,000	$ 63,871,273	$ 72,078,360
Interest and dividends, net	6,538	1,409,615	22,826	1,438,979
Net appreciation	(665)	2,067,627	90,815	2,157,777
Contributions	558,239	3,997	1,320,941	1,883,177
Amount appropriated for expenditure	-	(1,771,026)	-	(1,771,026)
Other changes	(508)	-	145,611	145,104
Endowment net assets, end of year	$ 561,692	$ 9,919,213	$ 65,451,466	$ 75,932,371

	Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (1,848)	$ 11,169,638	$ 60,550,136	$ 71,717,926
Interest and dividends, net	-	1,337,323	27,852	1,365,175
Net depreciation	-	(2,348,094)	(64,780)	(2,412,874)
Contributions	-	-	3,354,469	3,354,469
Amount appropriated for expenditure	-	(1,949,867)	-	(1,949,867)
Other changes	(64)	-	3,596	3,531
Endowment net assets, end of year	$ (1,912)	$ 8,209,000	$ 63,871,273	$ 72,078,360

The related assets are included in investments, museum collections and pledges and contributions receivable.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature that are reported in unrestricted net assets as of December 31, 2016 and 2015, were $2,420 and $1,912, respectively. The deficiencies in the donor-restricted endowment funds at December 31, 2016 and 2015 resulted from unfavorable market fluctuations and the continued appropriation of endowment assets, which was deemed prudent by the Foundation.

8. OPERATING LEASES

The Foundation leases warehouse space and equipment under operating leases, cancelable with one year's notice, with terms expiring through 2019. The annual minimum payments related to these obligations as of December 31, 2016 are as follows:

2017		$ 186,150
2018		186,150
2019		186,150
	Total	$ 558,450

Total lease expense for each of the years ended December 31, 2016 and 2015 was $186,150.

9. RELATED PARTIES

The Foundation is affiliated with the NRA by virtue of the control vested with the NRA's Board of Directors to appoint the Trustees of the Foundation. The Foundation has received certain benefits from this affiliation at no cost, among which are various administrative and support services. Management has determined that the fair value of these benefits is minimal, and accordingly, no amounts are reflected in these financial statements.

The Foundation reimburses the NRA for certain expenses, such as salaries, benefits and general operating expenses, paid by the NRA on the Foundation's behalf. These expenses totaled $8,862,322 and $5,837,114 for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, $1,215,709 and $908,726, respectively, was owed to the NRA and included in due to affiliates for reimbursements and pass through funds still held by the Foundation.

The Foundation funded certain qualified NRA programs with grants totaling $19,276,495 and $18,985,029 for the years ended December 31, 2016 and 2015, respectively.

Endowment contributions and gift annuities benefiting NRA Civil Rights Defense Fund, NRA Freedom Action Foundation, and NRA Special Contribution Fund are pooled with Foundation investments.

The following amounts were due to affiliates at December 31:

	2016	2015
National Rifle Association	$ 1,215,709	$ 908,726
NRA Civil Rights Defense Fund	1,463,317	1,378,888
NRA Freedom Action Foundation	203,237	101,071
NRA Special Contribution Fund	1,040,353	1,041,651
Total	$ 3,922,616	$ 3,430,336